



LET'S TAX SERVICES AND MAKE EVERYTHING WORSE

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We're all over-regulated. A [recent study](#) for the California Small Business Advocate's Office shows that regulation costs California's families \$492,994 billion. This translates to a total cost per household of \$38,446.76 – just about the median household income – or \$13,052.05 per resident. In terms of jobs, this means 3.8 million lost jobs – that's a tenth of California's total population! Because of high regulation, we lose a third of gross state output and four and a half times the state budget every year.

Our unemployment rate is at a record 12.2% – if you count people who stopped looking, it could be at 20% – it could be that one in five Californians are unemployed. Over half of all moves in Orange County are moves out of the state: California ranks 14th out of 49 (contiguous U.S. plus D.C.) in [moving-van exits](#). We're already facing a third state budget deficit this year, and tax revenues continue to drop. But, apparently we're not taxed enough.

There is a lot of talk about the need to broaden the sales tax base to include the service industry. This is a popular notion; the Commission on the 21st Century Economy isn't raising sales tax, but includes services – which ones, we don't know – in its new stealth Business Net Receipts Tax.

Services already take a much bigger hit from government regulation than other sectors. In some areas, services shoulder over 50% of the burden of state regulations.

For example, professional services carry the burden of 55% of lost labor income, i.e. all forms of employee compensation that would have been paid by employers. That's \$116.7 billion that California professionals aren't getting paid because of our regulatory climate.

Professional services means doctors, dentists, lawyers, accountants, and those types. They're expensive enough as is (could massive regulation be one reason?), now imagine you're paying a tax on top of your bill.

Look at it this way: What's unique about the professional service sector is that the service provided is usually not something you want, it's something you need.

You don't go to the doctor for fun, you do it to protect your health; you hire a lawyer to protect yourself; a dentist to keep your teeth in your mouth; and an accountant to comply with the state's laws and stay out of jail.

The debate over the cost of healthcare in America is raging. Even President Obama agrees it's too expensive, by taxing services the cost of healthcare would be even higher than it is now.

Professional services also account for 51% of lost output – money that isn't made – statewide, over \$210 billion that could have been spent in stores, in taxes, in charity, in anything!

And the solution is to tax the service sector? A tax on services would crush productivity, kill jobs, and raise taxes for all Californians.

Professional services are a necessary expense for all Americans, the last thing we need, in this economy is to pay more for services we can't live without and are often required to have.